

**Order 2004-10-2**  
**Served: October 6, 2004**



**UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

Issued by the Department of Transportation  
on the 6<sup>th</sup> day of October, 2004

INTRAL-ALASKA BUSH  
SERVICE MAIL RATES

**Docket OST-2003-14694**

**ORDER ESTABLISHING AD HOC FUEL ADJUSTMENT  
AND QUARTERLY FUEL COST ADJUSTMENTS**

**Summary**

By this order the Department grants the petition of Frontier Flying Service (Frontier) to make an *ad hoc* adjustment for fuel to the final linehaul mail rates set by Orders 2004-3-34, (Amphibious), 2004-6-3, (Part 121 Regular and Part 121 Short Runway), and 2004-6-4 (Part 135). This order also establishes a routine, quarterly-update procedure for the fuel portion of the mail rate's linehaul element, until further notice. It also directs the carriers to closely review their data submissions.

**Background**

The Department established four final bush mail rates effective until further Department action based on reported data for the YE 6/30/03, while we concluded the base rate investigation. On July 26, 2004, Frontier petitioned the Department for re-instatement of quarterly fuel adjustments to the bush mail rates.<sup>1</sup> There were no answers to Frontier's petition. Frontier cited the May 21 petition of Northern Air Cargo (NAC), a mainline carrier, for a fuel adjustment for the mainline carriers, and noted that it too incurred similar cost increases, as follows:

...barge are being loaded for the spring deliveries of fuel to rural Alaska, including deliveries to three of the largest mail hubs in the state: Bethel, Nome and Kotzebue. Without quarterly fuel adjustments, the [bush] carriers will be uncompensated for these highly volatile costs of fuel.

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<sup>1</sup> As discussed in Order 2004-9-14, the Department previously made quarterly adjustments to the bush and mainline mail rates when fuel prices were volatile.

### Decision

By Order 2004-9-14, September 14, 2004, we granted NAC's petition to begin quarterly fuel adjustments for the mainline carriers. Given that the bush carriers are facing the same circumstances, we will grant Frontier's petition as well.

Comparing results for the base period, YE 6/30/03, with QE 6/30/04, the most recent period available, we have determined that the fuel cost per block hour<sup>2</sup> for the regular Part 121 rate increased by 34.60 percent.<sup>3</sup> For the Short-Runway Part 121 rate, fuel cost per block hour increased by 28.98 percent.<sup>4</sup><sup>5</sup> Holding non-fuel linehaul costs constant, those increases in fuel cost produce a 5.87 percent increase in the total linehaul expense for the Part 121 Regular rate and 4.31 percent for the Part 121 Short-Runway rate, respectively.

However, comparing the results for the Part 135 and Amphibious carriers over the two different periods, a significant number of the carriers' results appear anomalous. Some report an actual drop in fuel cost per hour between the two periods, which is not consistent with fuel price trends. Others report anomalous unit cost increases exceeding 100 percent. Further, depending on which carriers are included, the overall results can vary significantly. As mentioned in Frontier's petition, bush carriers often barge in fuel only once or twice a year and it may be that this circumstance, in conjunction with different methods of accounting for fuel inventory, is distorting the carriers' results.<sup>6</sup>

Nevertheless, all available evidence points to significant fuel cost increases between the two periods. We believe it is in the public interest to grant the Part 135 and Amphibious classes of carriers an interim rate increase related to fuel adjustments pending further review of the fuel cost data. Of the three results mentioned: mainline, Frontier, and ERA, ERA's operations with its Twin Otters most resemble those of the smaller Part 135 carriers.

Almost all of its Twin Otter operations are from the regional hub of Bethel and are for bush service. On the other hand, much of Frontier's B-1900 service is between the two acceptance points, Anchorage and Fairbanks. We will therefore apply the increase in ERA's Twin Otter fuel costs of 28.98 percent to both the Part 135 and Amphibious linehaul rates. Applying a 28.98 percent increase in fuel costs to the Part 135 rate produces a 6.03 percent increase in the overall linehaul rate, from \$11.5022 per revenue ton mile (RTM) to

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<sup>2</sup> Fuel cost per hour is determined by dividing fuel expense for the quarter by number of block hours flown in the quarter. If an aircraft's burn per block hour does not change over time, then the change in cost per block hour is driven solely by change in price.

<sup>3</sup> Frontier's B-1900 fuel costs were \$145.96 per block hour in the base period, YE 6/30/03 (\$2,100,474 divided by 14,390 hours) and \$196.48 per hour (\$930,328 divided by 4,735 hours) for QE 6/30/04.

<sup>4</sup> As discussed in Order 2004-6-3, Frontier's Beech 1900 is the only carrier/aircraft used to determine the regular Part 121 rate, and Era Aviation's Twin Otter is the only carrier/aircraft used to determine the Short-Runway Part 121 rate.

<sup>5</sup> ERA's Twin Otter fuel costs were \$135.04 per block hour in the base period, YE 6/30/03 (\$1,675,245 divided by 12,406 hours) and \$174.18 per hour for QE 6/30/04, (\$606,130 divided by 3,480 hours.)

<sup>6</sup> It may be affected by the carrier's different methods of accounting for fuel burned, whether LIFO (Last in, first out) or FIFO (First in, first out).

\$12.1962 per RTM.<sup>7</sup> Similarly, applying a 28.98 percent increase in fuel costs to the Amphibious rate in Order 2004-3-34 produces a 3.51 percent increase in the overall linehaul rate, from \$19.0081 per RTM to \$19.6751 per RTM.<sup>8</sup>

As with the mainline carriers, we will reestablish the practice of making quarterly fuel adjustments. The rates may go up or down depending on changes in fuel costs. For future fuel-related adjustments, since the carriers' traffic and financial data are to be reported 40 days after the end of the accounting period, we will make each quarterly adjustment effective on the first day of the quarter following the end of the prior reporting period. Thus, the fuel data reported for the quarter ended September 30, 2004, will determine the fuel adjustment for the quarter beginning January 1, 2005. It is critical that carriers report their data on a timely basis in order that all the fuel adjustment can be made on a timely basis.<sup>9</sup>

We will not make any changes to non-fuel costs until we finalize the base rate investigation, and we will review the need to continue quarterly fuel adjustments at a future date.

**ACCORDINGLY,**

1. We reestablish quarterly fuel cost adjustments to the intra-Alaska bush mail rates as described in this order, effective on the service date of the order;
2. We will increase the linehaul mail rate for Regular Part 121 operations, by 5.87 percent from that determined in Order 2004-6-3;
3. We will increase the linehaul mail rate for Short-Runway Part 121 operations by 4.31 percent from that determined in Order 2004-6-3;
4. We will increase the linehaul mail rate for Part 135 operations by 6.03 percent from that determined in Order 2004-6-4;
5. We will increase the linehaul mail rate for Amphibious by 3.51 percent from that determined in Order 2004-3-34;
6. This docket shall remain open until further order of the Department; and

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<sup>7</sup> Appendix A-1 breaks out the non-fuel linehaul cost for the base rate, Order 2004-6-3, of \$9.1069 per RTM. Applying a 28.98 percent increase in fuel costs to those in Order 2004-6-3, produces a weighted fuel cost of \$3.0893/RTM, or \$12.1962/RTM total.

<sup>8</sup> Appendix B-1 breaks out the non-fuel linehaul cost for the base rate, Order 2004-3-34, of \$16.7062/RTM. Applying a 28.98 percent increase in fuel costs to those in Order 2004-3-34, produces a weighted fuel cost of \$2.9689/RTM, or \$19.6751/RTM total.

<sup>9</sup> Depending on reported results, we may continue to apply ERA's changes in fuel costs per block hour to determine the fuel adjustment for the Part 135 and Amphibious rates.

7. We will serve this order upon all parties on the Service List for this Docket.

By:

**KARAN K. BHATIA**  
Assistant Secretary for Aviation  
and International Affairs

(SEAL)

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on the World Wide Web at <http://dms.dot.gov>*

Part 135, Non-Fuel Linehaul Costs, Per Order 2004-6-4, YE 6/30/03

	<u>Totals</u>	<u>Arctic Circle</u>	<u>Baker</u>	<u>Bering</u>				
System Parameters for Each Carrier								
1. Capacity Related Expense (CR), Skd. F-2	\$20,875,280	\$714,974					\$184,358	\$1,298,576
2. Direct Expense, including fuel, Skd. F-2	\$116,581,861	\$6,793,126					\$808,534	\$9,477,485
3. Indirect Expense, Skd. F-2	\$59,756,728	\$2,033,885					\$476,058	\$3,632,063
4. CR Markup	113.43%	108.81%	108.81%	108.81%	108.81%	108.81%	116.76%	110.99%
5. Return and Tax Markup	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%
6. T-100 Skd. Mail RTMs, Market	103,276						12,582	34,988
7. T-100 Skd. Mail RTMs, Segment	129,462						13,379	38,900
8. Circuitry Markup (negative is under 100%)	125.36%	125.36%	125.36%	125.36%	125.36%	125.36%	106.33%	111.18%
Aircraft Name								
Aircraft Code	C-206	C-402	C-208	King Air	Skyvan	C-206	C-206	C-206
9. Direct Expenses, Skd. F-2 (including Fuel)	\$1,713,693	\$2,495,925	\$607,525	\$174,186	\$1,683,130	\$808,534	35	35
10. Fuel Expense, Skd. F-2	\$204,409	\$612,955	\$108,637	\$33,578	\$397,220	\$202,356	\$220,921	\$24,397
11. Less Passenger Liability Insurance, Skd. F-2	\$56,586	\$35,34	\$6,797	\$1,217	\$6,015	\$56,165	\$11,539	
12. Linehaul Expense Allocable to Mail [9-10], Less Fuel	\$1,452,698	\$1,847,436	\$492,091	\$139,391	\$1,279,895	\$550,013	\$184,985	
13. Unit costs per block hour	\$325.72	\$251.56	\$494.07	\$467.76	\$826.27	\$196.86	\$372.20	
Markups per Carrier System Parameters								
14. Linehaul +CR	\$1,580,681	\$2,010,195	\$535,444	\$151,671	\$1,392,654	\$642,195	\$205,315	
15. Linehaul +CR+Return and Tax	\$1,730,213	\$2,200,359	\$586,097	\$166,019	\$1,524,399	\$702,947	\$224,738	
16. Linehaul +CR+Return and Tax + Circuitry	\$2,168,995	\$2,758,370	\$734,731	\$208,121	\$1,910,987	\$747,444	\$249,864	
17. Unit Costs per Block Hour	\$486.32	\$375.60	\$737.68	\$698.39	\$978.49	\$267.52	\$502.74	
18. System Rev. Blk. Hrs., T-100 Segment	4,460	7,344	996	298	1,953	2,794	497	
19. Eligible Block Hours	3,506	4,438	778	67	1,549	2,235	165	
20. Eligible Linehaul Expense (on Block Hours)	\$1,705,044	\$1,666,891	\$573,916	\$46,792	\$1,515,678	\$597,902	\$82,953	
21. Eligible Pax. RTM	5,213,989	3,755	6,422	689	27	25	9,628	3,057
22. Eligible Freight RTM @ .75	588,517	12,449	23,712	18,252	684	60,584	808	336
23. Eligible Mail RTM	2,563,971	68,559	200,686	32,594	4,041	40,991	53,984	714
24. Total RTM	8,366,295	84,763	230,820	51,536	4,753	101,599	64,420	4,107
25. Unit Cost per RTM		\$20.1154	\$7.2216	\$11.1362	\$9.8447	\$14.9182	\$9.2813	\$20.1980
26. Percentage of Total Mail RTMs	100.00%	2.6739%	7.8272%	1.2712%	0.1576%	1.5987%	2.1055%	0.0278%
27. Unit Cost, Weighted by Mail RTMs Above	\$9,1069	\$0.5379	\$0.5652	\$0.1416	\$0.0155	\$0.2385	\$0.1954	\$0.0056

**Part 135, Non-Fuel Linehaul Costs, Per Order 2004-6-4, YE 6/30/03**

<u>System Parameters for Each Carrier</u>	<u>Bering</u>	<u>Bering</u>	<u>Bering</u>	<u>C. Smythe</u>	<u>C. Smythe</u>	<u>C. Smythe</u>	<u>C. Smythe</u>
1 . Capacity Related Expense (CR), Skd. F-2				\$1,515,987			
2 . Direct Expense, including fuel, Skd. F-2				\$8,544,707			
3 . Indirect Expense, Skd. F-2				\$4,417,905			
4 . CR Markup	110.99%	110.99%	110.99%	113.24%	113.24%	113.24%	113.24%
5 . Return and Tax Markup	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%
6 . T-100 Skd. Mail RTMs, Market				39,276			
7 . T-100 Skd. Mail RTMs, Segment				37,553			
8 . Circuitry Markup (negative is under 100%)	111.18%	111.18%	111.18%	95.61%	95.61%	95.61%	95.61%
Aircraft Name							
Aircraft Code							
9 . Direct Expenses, Skd. F-2 (including Fuel)	\$2,299,717	\$1,755,829	\$408,094	\$4,663,667	\$1,341,887	\$1,331,750	\$2,028,083
10 . Fuel Expense, Skd. F-2	\$553,332	\$493,019	\$117,467	\$742,734	\$231,153	\$301,014	\$529,385
11 . Less Passenger Liability Insurance, Skd. F-2	\$95,240	\$52,448	\$12,634	\$164,568	\$152,823	\$96,908	\$106,490
12 . Linehaul Expense Allocable to Mail [9-10], Less Fuel	\$1,651,145	\$1,210,362	\$277,993	\$3,756,365	\$957,911	\$933,828	\$1,392,208
13 . Unit costs per block hour	\$352.43	\$509.41	\$484.31	\$473.51	\$181.87	\$274.98	\$469.23
14 . Linehaul +CR	\$1,832,606	\$1,343,381	\$308,544	\$4,169,190	\$1,084,738	\$1,057,467	\$1,576,536
15 . Linehaul +CR+Return and Tax	\$2,005,971	\$1,470,465	\$337,732	\$4,563,595	\$1,187,354	\$1,157,503	\$1,725,676
16 . Linehaul +CR+Return and Tax + Circuitry	\$2,230,239	\$1,634,863	\$375,490	\$5,073,805	\$1,135,229	\$1,106,689	\$1,649,919
17 . Unit Costs per Block Hour	\$476.04	\$688.07	\$654.16	\$639.58	\$215.54	\$325.88	\$556.09
18 . System Rev. Blk. Hrs., T-100 Segment	4,685	2,376	574	7,933	5,267	3,396	2,967
19 . Eligible Block Hours	3,579	1,600	299	7,366	5,167	3,392	2,942
20 . Eligible Linehaul Expense (on Block Hours)	\$1,703,741	\$1,100,918	\$195,595	\$4,711,162	\$1,113,675	\$1,105,385	\$1,636,017
21 . Eligible Pax. RTM	159,712	150,610	13	403,221	92,275	144,131	204,741
22 . Eligible Freight RTM @ .75	7,351	7,394	24,997	38,477	16,859	6,360	21,387
23 . Eligible Mail RTM	21,327	33,138	15,519	83,064	29,376	28,592	57,059
24 . Total RTM	188,389	191,142	40,530	524,762	138,510	179,089	283,187
25 . Unit Cost per RTM	\$9,0437	\$5,7597	\$4,8259	\$8,9777	\$8,0404	\$6,1723	\$5,7772
26 . Percentage of Total Mail RTMs	0.8318%	1.2924%	0.6053%	3.2397%	1.1457%	1.1154%	2.2254%
27 . Unit Cost, Weighted by Mail RTMs Above	\$0.0752	\$0.0744	\$0.0292	\$0.2909	\$0.0921	\$0.0688	\$0.1286

**Part 135, Non-Fuel Linehaul Costs, Per Order 2004-6-4, YE 6/30/03**

		Frontier	Frontier	Grant	Grant	Grant	Grant	Hasseland
<b>System Parameters for Each Carrier</b>								
1 . Capacity Related Expense (CR), Skd. F-2		\$1,657,158	\$2,188,603					\$1,257,327
2 . Direct Expense, including fuel, Skd. F-2		\$12,596,267	\$8,869,075					\$16,425,580
3 . Indirect Expense, Skd. F-2		\$5,520,739	\$6,361,314					\$4,914,464
4 . CR Markup	110.07%	110.07%	116.78%	116.78%	116.78%	116.78%	116.78%	106.26%
5 . Return and Tax Markup	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%
6 . T-100 Skd. Mail RTMs, Market	65,527	50,474	56,710					72,926
7 . T-100 Skd. Mail RTMs, Segment	71,125							80,545
8 . Circuitry Markup (negative is under 100%)	108.54%	108.54%	112.35%	112.35%	112.35%	112.35%	112.35%	110.45%
Aircraft Name								
Aircraft Code								
9 . Direct Expenses, Skd. F-2 (including Fuel)	\$368,053	\$2,146,767	\$2,574,228	\$2,386,945	\$1,375,121	\$291,755	\$1,908,133	\$4,361,930
10 . Fuel Expense, Skd. F-2	\$55,488	\$474,921	\$408,876	\$596,011	\$465,644	\$85,671	\$350,273	\$645,783
11 . Less Passenger Liability Insurance, Skd. F-2	\$0	\$137,325	\$173,881	\$150,102	\$31,068	\$13,319	\$89,605	\$325,064
12 . Linehaul Expense Allocable to Mail [9-10], Less Fuel	\$312,565	\$1,534,521	\$1,991,471	\$1,640,832	\$878,409	\$192,765	\$1,468,255	\$3,391,083
13 . Unit costs per block hour	\$294.32	\$334.90	\$158.41	\$245.45	\$476.36	\$490.50	\$409.33	\$198.45
Markups per Carrier System Parameters								
14 . Linehaul +CR	\$244,040	\$1,689,047	\$2,325,640	\$1,916,164	\$1,025,806	\$225,111	\$1,714,628	\$3,603,365
15 . Linehaul +CR+Return and Tax	\$376,586	\$1,848,831	\$2,545,646	\$2,097,433	\$1,122,847	\$246,407	\$1,876,832	\$3,944,243
16 . Linehaul +CR+Return and Tax + Circuitry	\$408,746	\$2,006,721	\$2,860,033	\$2,356,466	\$1,261,519	\$276,838	\$2,108,621	\$4,356,416
17 . Unit Costs per Block Hour	\$384.88	\$437.96	\$227.49	\$352.50	\$684.12	\$704.42	\$587.85	\$254.94
18 . System Rev. Blk. Hrs., T-100 Segment	1,062	4,582	12,572	6,685	1,844	393	3,587	17,088
19 . Eligible Block Hours	1,062	4,147	10,581	6,288	66	167	2,892	10,894
20 . Eligible Linehaul Expense (on Block Hours)	\$408,746	\$1,816,210	\$2,407,096	\$2,216,523	\$45,152	\$117,639	\$1,700,065	\$2,777,317
21 . Eligible Pax RTM	0	82,497	196,631	372,467	6,443	12,104	142,477	224,381
22 . Eligible Freight RTM @ .75	77	8,296	4,552	5,178	100	197	3,306	10,297
23 . Eligible Mail RTM	<u>38.507</u>	<u>103,432</u>	<u>79.351</u>	<u>99,961</u>	<u>831</u>	<u>850</u>	<u>28,682</u>	<u>64,386</u>
24 . Total RTM	38,584	194,224	280,354	477,606	7,374	13,151	174,465	299,064
25 . Unit Cost per RTM	\$10,5937	\$9,3511	\$8,5859	\$4,6409	\$6,1231	\$8,9453	\$9,7444	\$9,2867
26 . Percentage of Total Mail RTMs	1,5019%	4.0341%	3.0948%	3.8987%	0.0324%	0.0332%	1.1187%	2.5112%
27 . Unit Cost, Weighted by Mail RTMs Above	\$0.1591	\$0.3772	\$0.2657	\$0.1809	\$0.0020	\$0.0030	\$0.1090	\$0.2332

**Part 135, Non-Fuel Linehaul Costs, Per Order 2004-6-4, YE 6/30/03**

**Appendix A-1**

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<u>System Parameters for Each Carrier</u>	<u>Hageland</u>	<u>Hageland</u>	<u>Hageland</u>	<u>Hageland</u>	<u>Iliamna</u>	<u>Iliamna</u>	<u>Iliamna</u>	<u>Iliamna</u>
1 . Capacity Related Expense (CR), Skd. F-2					\$122,663			
2 . Direct Expense, including fuel, Skd. F-2					\$1,338,876			
3 . Indirect Expense, Skd. F-2					\$407,424			
4 . CR Markup	106.26%	106.26%	106.26%	106.26%	107.55%	107.55%	107.55%	107.55%
5 . Return and Tax Markup	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%
6 . T-100 Skd. Mail RTMs, Market					2,656			
7 . T-100 Skd. Mail RTMs, Segment					2,784			
8 . Circuitry Markup (negative is under 100%)	110.45%	110.45%	110.45%	110.45%	104.82%	104.82%	104.82%	104.82%
Aircraft Name					C-206	DHC-2	Beech Baron	Navajo
Aircraft Code					416	40	117	194
9 . Direct Expenses, Skd. F-2 (including Fuel)	\$355,667	\$2,073,787	\$5,729,305	\$3,668,312	\$318,428	\$67,043	\$93,454	\$149,852
10 . Fuel Expense, Skd. F-2	\$61,227	\$453,695	\$1,031,447	\$987,104	\$78,470	\$8,062	\$28,513	\$48,534
11 . Less Passenger Liability Insurance, Skd. F-2	\$32,549	\$89,778	\$242,296	\$139,751	\$47,592	\$21,813	\$13,220	\$23,796
12 . Linehaul Expense Allocable to Mail [9-10], Less Fuel	\$261,891	\$1,530,314	\$4,465,562	\$2,541,457	\$192,366	\$37,168	\$51,721	\$77,522
13 . Unit costs per block hour	\$401.67	\$688.71	\$497.61	\$632.99	\$130.15	\$309.73	\$169.58	\$180.28
Markups per Carrier System Parameters								
14 . Linehaul +CR	\$278,285	\$1,626,112	\$4,745,106	\$2,700,552	\$206,890	\$39,974	\$55,626	\$83,375
15 . Linehaul +CR+Return and Tax	\$304,611	\$1,779,942	\$5,193,993	\$2,956,024	\$226,462	\$43,756	\$60,888	\$91,262
16 . Linehaul +CR+Return and Tax + Circuitry	\$336,443	\$1,965,946	\$5,726,765	\$3,264,929	\$237,377	\$45,865	\$63,823	\$95,661
17 . Unit Costs per Block Hour	\$516,02	\$884.76	\$639.27	\$813.18	\$160.61	\$382.21	\$209.26	\$222.47
18 . System Rev. Blk. Hrs., T-100 Segment	652	2,222	8,974	4,015	1,478	120	305	430
19 . Eligible Block Hours	482	269	7,620	2,982	467	56	8	68
20 . Eligible Linehaul Expense (on Block Hours)	\$248,720	\$238,002	\$4,871.200	\$2,424,911	\$75,003	\$21,404	\$1,674	\$15,128
21 . Eligible Pax. RTM	35,574	17,224	412,896	187,198	1,079	114	164	4,206
22 . Eligible Freight RTM @ .75	916	5,592	35,017	14,106	209	40	0	17
23 . Eligible Mail RTM	689	12,581	126,068	63,101	8,217	1,113	26	5
24 . Total RTM	37,179	35,397	573,981	264,406	9,505	1,267	190	4,228
25 . Unit Cost per RTM	\$6,6898	\$6,7238	\$8,4867	\$9,1712	\$7,8909	\$16,8934	\$8,8105	\$3,5781
26 . Percentage of Total Mail RTMs	0.0269%	0.4907%	4.9169%	2.4611%	0.3205%	0.0434%	0.0010%	0.0002%
27 . Unit Cost, Weighted by Mail RTMs Above	\$0.0018	\$0.0330	\$0.4173	\$0.2257	\$0.0233	\$0.0073	\$0.0001	\$0.0000

**Part 135, Non-Fuel Linehaul Costs, Per Order 2004-6-4, YE 6/30/03**

<u>System Parameters for Each Carrier</u>		<u>Iliamna</u>	<u>Inland</u>	<u>Island</u>	<u>Island</u>	<u>Larrys</u>	<u>Larrys</u>
1.	Capacity Related Expense (CR), Skd. F-2	\$233,721	\$457,128			\$308,900	
2.	Direct Expense, including fuel, Skd. F-2	\$1,857,730	\$1,334,052			\$2,724,937	
3.	Indirect Expense, Skd. F-2	\$699,928	\$1,037,880			\$1,148,747	
4.	CR Markup	107.55%	110.06%	123.87%	123.87%	108.67%	108.67%
5.	Return and Tax Markup	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%
6.	T-100 Skd. Mail RTMs, Market	15,742	11,516			37,688	
7.	T-100 Skd. Mail RTMs, Segment	17,234	12,754			59,638	
8.	Circuity Markup (negative is under 100%)	104.82%	109.48%	110.75%	110.75%	158.24%	158.24%
Aircraft Name							
Aircraft Code		Pilatus	C-206	PA-32	Islander	Queenair	C-206
9.	Direct Expenses, Skd. F-2 (including Fuel)	479	35	79	131	133	35
10.	Fuel Expense, Skd. F-2	\$743,688	\$1,419,213	\$399,984	\$718,452	\$70,434	\$715,201
11.	Less Passenger Liability Insurance, Skd. F-2	\$315,295	\$222,544	\$77,165	\$183,152	\$10,648	\$112,382
12.	Linehaul Expense Allocable to Mail [9-10], Less Fuel	\$29,745	\$65,631	\$37,087	\$62,663	\$7,021	\$39,125
13.	Unit costs per block hour	\$398,648	\$1,131,038	\$285,732	\$472,637	\$52,765	\$399,324
		\$335.84	\$245.03	\$141.59	\$174.28	\$592.87	\$175.22
Markups per Carrier System Parameters							
14.	Linehaul +CR	\$428,746	\$1,244,820	\$353,926	\$585,455	\$65,360	\$433,945
15.	Linehaul +CR+Return and Tax	\$449,305	\$1,362,580	\$387,418	\$640,839	\$71,543	\$474,996
16.	Linehaul +CR+Return and Tax + Circuitry	\$491,926	\$1,491,753	\$429,065	\$709,729	\$79,234	\$751,634
17.	Unit Costs per Block Hour	\$414.43	\$323.17	\$212.62	\$261.70	\$890.27	\$329.81
18.	System Rev. Blk. Hrs., T-100 Segment	1,187	4,616	2,018	2,712	89	2,279
19.	Eligible Block Hours	407	3,433	1,711	2,380	66	1,785
20.	Eligible Linehaul Expense (on Block Hours)	\$168,672	\$1,109,443	\$363,791	\$622,845	\$58,758	\$588,709
21.	Eligible Pax. RTM	50,040	31,020	19,458	65,771	2,286	12,062
22.	Eligible Freight RTM @ .75	325	2,156	3,101	7,014	51	71
23.	Eligible Mail RTM	186	66,884	3,059	7,692	206	49,250
24.	Total RTM	50,550	100,059	25,618	80,477	2,543	65,324
25.	Unit Cost per RTM	\$3,3367	\$11,0879	\$14,2006	\$7,7394	\$23,1058	61,383
						\$9,5907	68,360
26.	Percentage of Total Mail RTMs	0.0073%	2.6086%	0.1193%	0.3000%	0.0080%	1.9208%
27.	Unit Cost, Weighted by Mail RTMs Above	\$0.0002	\$0.2892	\$0.0169	\$0.0232	\$0.0018	\$0.1842

**Part 135, Non-Fuel Linehaul Costs, Per Order 2004-6-4, YE 6/30/03**

System Parameters for Each Carrier		Peninsula	Peninsula	Peninsula	Servant Air	Skagway	Carrier Total	Smokey
1 . Capacity Related Expense (CR), Skd. F-2	\$6,218,676	\$25,548,757	\$18,996,347	116.25%	116.25%	127.33%	\$106,371	\$501,893
2 . Direct Expense, including fuel, Skd. F-2				109.46%	109.46%	109.46%	\$712,538	\$564,216
3 . Indirect Expense, Skd. F-2				903,777	903,777	110,438	\$492,431	\$555,118
4 . CR Markup	116.25%	116.25%	109.46%	109.46%	109.46%	109.46%	181.29%	109.46%
5 . Return and Tax Markup							109.46%	109.46%
6 . T-100 Skd. Mail RTMs, Market	789,325	87.34%	87.34%	87.34%	87.34%	123,124	2,996	1,462
7 . T-100 Skd. Mail RTMs, Segment							2,829	1,462
8 . Circuitry Markup (negative is under 100%)							94.43%	100.00%
Aircraft Name								
Aircraft Code	PA-32	Navajo	C-208	T-1040	PA-32	Navajo	Carrier	C-206
9 . Direct Expenses, Skd. F-2 (including Fuel)	\$2,251,748	\$1,239,870	\$2,795,303	\$542,647	\$79	\$194	Total	35
10 . Fuel Expense, Skd. F-2	\$374,696	\$186,842	\$438,859	\$74,460	\$1,136,608	\$64,352	\$686,142	\$564,216
11 . Less Passenger Liability Insurance, Skd. F-2	\$189,336	\$107,808	\$134,997	\$40,236	\$239,408	\$22,927	\$145,044	\$95,109
12 . Linehaul Expense Allocable to Mail [9-10], Less Fuel	\$1,387,716	\$945,220	\$2,221,447	\$427,951	\$67,067	\$4,391	\$6,444	\$27,000
13 . Unit costs per block hour	\$222,30	\$864.00	\$602.84	\$746.86	\$830,133	\$37,034	\$534,654	\$442,107
					\$218.69	\$189.92	\$112.61	\$139.11
Markups per Carrier System Parameters								
14 . Linehaul +CR	\$1,961,970	\$1,098,818	\$2,582,432	\$497,493	\$1,057,008	\$47,155	\$586,409	\$801,496
15 . Linehaul +CR+Return and Tax	\$2,147,572	\$1,202,766	\$2,826,730	\$544,556	\$1,157,001	\$51,616	\$641,883	\$877,318
16 . Linehaul +CR+Return and Tax + Circuitry	\$1,875,689	\$1,050,496	\$2,468,866	\$475,615	\$1,289,940	\$57,547	\$606,130	\$877,318
17 . Unit Costs per Block Hour	\$247.06	\$960.23	\$669.98	\$830.04	\$339.82	\$295.11	\$127.66	\$276.06
18 . System Rev. Blk. Hrs., T-100 Segment	7,592	1,094	3,685	573	3,796	195	4,748	3,178
19 . Eligible Block Hours	6,729	797	3,253	502	3,796	196	3,580	2,749
20 . Eligible Linehaul Expense (on Block Hours)	\$1,662,475	\$765,307	\$2,179,436	\$416,682	\$1,289,940	\$57,842	\$457,023	\$758,888
21 . Eligible Pax. RTM	92,847	25,775	142,138	21,226	6,232	2,282	73,230	35,094
22 . Eligible Freight RTM @ .75	6,508	1,769	25,440	1,977	3,363	444	5,330	1,668
23 . Eligible Mail RTM	26,880	9,240	67,609	14,657	114,841	8,283	6,385	3,625
24 . Total RTM	126,235	36,784	235,187	37,860	124,436	11,010	84,946	40,387
25 . Unit Cost per RTM	\$13,1697	\$20,8054	\$9,2668	\$11,0059	\$10,3663	\$5,2536	\$5,3802	\$18,7904
26 . Percentage of Total Mail RTMs	1.0484%	0.3604%	2.6369%	0.5717%	4.4790%	0.3231%	0.2490%	0.1414%
27 . Unit Cost, Weighted by Mail RTMs Above	\$0.1381	\$0.0750	\$0.2444	\$0.0629	\$0.4643	\$0.0170	\$0.0134	\$0.0266

**Part 135, Non-Fuel Linehaul Costs, Per Order 2004-6-4, YE 6/30/03**

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<u>System Parameters for Each Carrier</u>	<u>Spemak</u>	<u>Tanana</u>	<u>Tatonduk</u>	<u>Tatonduk</u>	<u>Warbelow</u>	<u>Warbelow</u>
1 . Capacity Related Expense (CR), Skd. F-2	\$258,641	\$637,264				\$593,625
2 . Direct Expense, including fuel, Skd. F-2	\$834,782	\$2,484,426				\$4,922,068
3 . Indirect Expense, Skd. F-2	\$430,249	\$1,217,714				\$1,604,570
4 . CR Markup	125.70%	120.79%	113.43%	113.43%	110.01%	110.01%
5 . Return and Tax Markup	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%
6 . T-100 Skd. Mail RTMs, Market	610	46,575	46,575		23,389	
7 . T-100 Skd. Mail RTMs, Segment	610	49,639	49,639		23,991	
8 . Circuitry Markup (negative is under 100%)	100.00%	106.58%	106.58%	100.00%	100.00%	102.57%
Aircraft Name						
Aircraft Code						
9 . Direct Expenses, Skd. F-2 (including Fuel)	\$750,739	\$2,091,330	\$393,096	\$282,046	\$313,877	\$4,604,266
10 . Fuel Expense, Skd. F-2	\$114,188	\$452,968	\$89,134	\$43,338	\$41,911	\$987,252
11 . Less Passenger Liability Insurance, Skd. F-2	\$28,006	\$105,129	\$13,843	\$0	\$54,520	\$157,417
12 . Linehaul Expense Allocable to Mail [9-10], Less Fuel	\$608,545	\$1,531,233	\$290,119	\$238,708	\$217,446	\$3,459,597
13 . Unit costs per block hour	\$163.41	\$176.03	\$310.62	\$454.68	\$162.88	\$244.49
Markups per Carrier System Parameters						
14 . Linehaul +CR	\$764,941	\$1,851,992	\$350,435	\$493,424	\$270,766	\$335,084
15 . Linehaul +CR+Return and Tax	\$837,304	\$2,027,190	\$383,586	\$540,102	\$296,380	\$366,783
16 . Linehaul +CR+Return and Tax + Circuitry	\$837,304	\$2,160,579	\$408,826	\$540,102	\$296,380	\$366,783
17 . Unit Costs per Block Hour	\$224.84	\$248.06	\$437.72	\$176.97	\$564.53	\$361.36
18 . System Rev. Blk. Hrs., T-100 Segment.	3,724	8,710	934	3,052	525	1,015
19 . Eligible Block Hours	122	8,080	882	2,031	520	992
20 . Eligible Linehaul Expense (on Block Hours)	\$27,430	\$2,004,303	\$386,065	\$536,386	\$293,557	\$358,472
21 . Eligible Pax. RTM	721	33,649	19,707	28,752	10,477	18,847
22 . Eligible Freight RTM @ .75	918	11,081	8,965	6,261	2,708	15,543
23 . Eligible Mail RTM	610	166,757	27,589	33,139	13,419	34,754
24 . Total RTM	2,249	211,486	56,262	68,151	26,603	69,144
25 . Unit Cost per RTM	\$12,1965	\$9,4772	\$6,861.9	\$7,8706	\$11,0347	\$5,1844
26 . Percentage of Total Mail RTMs	0.0238%	6.5039%	1.0760%	1.2925%	0.5234%	1.3555%
27 . Unit Cost, Weighted by Mail RTMs Above	\$0.0029	\$0.6164	\$0.0738	\$0.1017	\$0.0578	\$0.0703

**Part 135, Non-Fuel Linehaul Costs, Per Order 2004-6-4, YE 6/30/03**

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	<u>Wings</u>	<u>Wings</u>	<u>Wright</u>	<u>Wright</u>	<u>Wright</u>	<u>Yute</u>
1 . Capacity Related Expense (CR), Skd. F-2	\$419,806	\$682,786				\$1,190,730
2 . Direct Expense, including fuel, Skd. F-2	\$2,348,837	\$4,422,451				\$3,085,111
3 . Indirect Expense, Skd. F-2	\$1,622,905	\$1,273,208				\$2,342,616
4 . CR Markup	111.82%	111.82%	113.62%	113.62%	113.62%	128.10%
5 . Return and Tax Markup	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%
6 . T-100 Skd. Mail RTMs, Market	8,439	20,455	22,056			37,574
7 . T-100 Skd. Mail RTMs, Segment	8,804					41,128
8 . Circuitry Markup (negative is under 100%)	104.33%	104.33%	107.83%	107.83%	107.83%	109.46%
Aircraft Name						
Aircraft Code						
9 . Direct Expenses, Skd. F-2 (including Fuel)	\$602,391	\$903,066	\$47,535	\$322,623	\$406,313	\$194
10 . Fuel Expense, Skd. F-2	\$76,158	\$106,874	\$4,654	\$31,723	\$47,197	\$2,863,475
11 . Less Passenger Liability Insurance, Skd. F-2	\$57,385	\$66,159	\$2,510	\$15,977	\$33,594	\$1,420,735
12 . Linehaul Expense Allocable to Mail [9-10], Less Fuel	\$3468,848	\$730,033	\$40,371	\$274,923	\$325,522	\$402,806
13 . Unit costs per block hour	\$172.82	\$420.53	\$284.30	\$294.04	\$233.85	\$249,514
Margins per Carrier System Parameters						
14 . Linehaul +CR	\$524,266	\$816,323	\$45,870	\$312,368	\$369,858	\$557,892
15 . Linehaul +CR+Return and Tax	\$573,862	\$893,547	\$50,299	\$341,918	\$404,847	\$610,669
16 . Linehaul +CR+Return and Tax + Circuitry	\$598,710	\$932,238	\$54,140	\$368,690	\$436,547	\$658,484
17 . Unit Costs per Block Hour	\$220.68	\$537.00	\$381.27	\$394.32	\$313.61	\$352.13
18 . System Rev. Blk. Hrs., T-100 Segment	2,713	1,736	142	935	1,392	1,870
19 . Eligible Block Hours	1,988	1,433	10	6	44	1,200
20 . Eligible Linehaul Expense (on Block Hours)	\$438,716	\$769,526	\$3,813	\$2,366	\$13,799	\$422,557
21 . Eligible Pax. RTM	44,068	74,966	135	133	452	66,596
22 . Eligible Freight RTM @ .75	4,328	11,769	9	0	213	3,628
23 . Eligible Mail RTM	5,770	15,692	85	0	314	12,916
24 . Total RTM	54,166	102,428	228	133	980	83,141
25 . Unit Cost per RTM	\$8.0995	\$7.5128	\$16,7237	\$17.7895	\$14,0806	\$5,0824
26 . Percentage of Total Mail RTMs	0.2250%	0.6120%	0.0033%	0.0000%	0.0122%	0.5037%
27 . Unit Cost, Weighted by Mail RTMs Above	\$0.0182	\$0.0460	\$0.0006	\$0.0000	\$0.0017	\$0.0256

<u>System Parameters for Each Carrier</u>	<u>Yute</u>	<u>Yute</u>
1 . Capacity Related Expense (CR), Skd. F-2		
2 . Direct Expense, including fuel, Skd. F-2		
3 . Indirect Expense, Skd. F-2		
4 . CR Markup	128.10%	128.10%
5 . Return and Tax Markup	109.46%	109.46%
6 . T-100 Skd. Mail RTMs, Market		
7 . T-100 Skd. Mail RTMs, Segment		
8 . Circuitry Markup (negative is under 100%)	109.46%	109.46%
 Aircraft Name		
Aircraft Code	Beech 200	Casa 212
9 . Direct Expenses, Skd. F-2 (including Fuel)	\$333,940	\$865,020
10 . Fuel Expense, Skd. F-2	\$86,938	\$183,784
11 . Less Passenger Liability Insurance, Skd. F-2	\$17,814	\$56,416
12 . Linehaul Expense Allocable to Mail [9-10], Less Fuel	\$229,188	\$624,820
13 . Unit costs per block hour	\$596.84	\$914.82
 <u>Markups per Carrier System Parameters</u>		
14 . Linehaul +CR	\$293,590	\$800,394
15 . Linehaul +CR+Return and Tax	\$321,364	\$876,111
16 . Linehaul +CR+Return and Tax + Circuitry	\$351,765	\$938,991
17 . Unit Costs per Block Hour	\$916.05	\$1,404.09
 18 . System Rev. Blk. Hrs., T-100 Segment	384	683
19 . Eligible Block Hours	299	261
20 . Eligible Linehaul Expense (on Block Hours)	\$273,900	\$366,467
 21 . Eligible Pax. RTM	8,981	3,819
22 . Eligible Freight RTM @ .75	72	2,573
23 . Eligible Mail RTM	11,592	12,746
24 . Total RTM	20,645	19,138
25 . Unit Cost per RTM	\$13,2671	\$19,1487
 26 . Percentage of Total Mail RTMs	0.4521%	0.4971%
27 . Unit Cost, Weighted by Mail RTMs Above	\$0.0600	\$0.0952

**Part 135, Fuel-Only Linehaul Costs, Adjusted to Reflect the 28.98 Percent  
Increase in ERA's Twin Otter Costs per Hour From YE 6/30/03 to QE 6/30/04**

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		Totals	Arctic Circle	Arctic Circle	Arctic Circle	Arctic Circle	Baker	Bering
1.	Capacity Related Expense (CR), Skd. F-2	\$20,875,280	\$714,974				\$184,338	\$1,298,576
2.	Direct Expense, including fuel, Skd. F-2	\$116,581,861	\$6,793,126				\$808,534	\$9,477,485
3.	Indirect Expense, Skd. F-2	\$59,756,728	\$2,033,883				<u>\$476,058</u>	<u>\$3,632,063</u>
4.	CR Markup	113.43%	108.81%	108.81%	108.81%	108.81%	116.76%	110.99%
5.	Return and Tax Markup		109.46%	109.46%	109.46%	109.46%	109.46%	109.46%
6.	T-100 Skd. Mail RTMs, Market	103,276					12,582	34,988
7.	T-100 Skd. Mail RTMs, Segment	129,462					13,379	38,900
8.	Circuitry Markup (negative is under 100%)	125.36%	125.36%	125.36%	125.36%	125.36%	106.33%	111.18%
	Aircraft Name							
	Aircraft Code							
10.	Fuel Expense, Skd. F-2, YE 6/30/03							
11.	Fuel Expense, Skd. F-2, Increased by 28.98%							
12.	Unit costs per block hour							
13.								
	Markups per Carrier System Parameters							
14.	Linehaul +CR							
15.	Linehaul +CR+Return and Tax							
16.	Linehaul +CR+Return and Tax + Circuitry							
17.	Unit Costs per Block Hour							
18.	System Rev. Blk. Hrs., T-100 Segment							
19.	Eligible Block Hours							
20.	Eligible Linehaul Expense (on Block Hours)							
21.	Eligible Pax RTM							
22.	Eligible Freight RTM @ .75							
23.	Eligible Mail RTM							
24.	Total RTM							
25.	Unit Cost per RTM							
26.	Percentage of Total Mail RTMs							
27.	Unit Cost, Weighted by Mail RTMs Above							

<u>System Parameters for Each Carrier</u>	<u>C. Smythe</u>								
1 . Capacity Related Expense (CR), Skd. F-2									
2 . Direct Expense, including fuel, Skd. F-2									
3 . Indirect Expense, Skd. F-2									
4 . CR Markup									
5 . Return and Tax Markup									
6 . T-100 Skd. Mail RTMs, Market									
7 . T-100 Skd. Mail RTMs, Segment									
8 . Circuitry Markup (negative is under 100%)									
Aircraft Name									
Aircraft Code									
10 . Fuel Expense, Skd. F-2, YE 6/30/03	\$110,99%	110.99%	110.99%	110.99%	113.24%	113.24%	113.24%	113.24%	113.24%
12 . Fuel Expense, Skd. F-2, Increased by 28.98%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%
13 . Unit costs per block hour									
Markups per Carrier System Parameters									
14 . Linehaul +CR	\$792,122	\$705,781	\$168,160	\$1,063,260	\$337,615	\$439,652	\$773,204	\$848,153	
15 . Linehaul +CR+Return and Tax	\$867,057	\$772,548	\$184,068	\$1,163,844	\$369,553	\$481,243	\$846,349	\$928,388	
16 . Linehaul +CR+Return and Tax + Circuitry	\$963,994	\$858,919	\$204,647	\$1,293,962	\$353,330	\$460,116	\$809,194	\$887,632	
17 . Unit Costs per Block Hour	\$205.76	\$361.50	\$356.53	\$163.11	\$67.08	\$135.49	\$272.73	\$213.78	
18 . System Rev. Blk. Hrs., T-100 Segment	4,685	2,376	574	7,933	5,267	3,396	2,967	4,152	
19 . Eligible Block Hours	3,579	1,600	299	7,366	5,167	3,392	2,942	3,860	
20 . Eligible Linehaul Expense (on Block Hours)	\$736,421	\$578,397	\$106,602	\$1,201,478	\$346,622	\$459,574	\$802,376	\$825,207	
21 . Eligible Pax. RTM	159,712	150,610	13	403,221	92,275	144,131	204,741	215,875	
22 . Eligible Freight RTM @ .75	7,351	7,394	24,997	38,477	16,859	6,360	21,387	15,159	
23 . Eligible Mail RTM	21,327	33,118	15,519	83,064	29,376	28,599	57,059	48,268	
24 . Total RTM	188,389	191,142	40,530	524,762	138,510	179,089	283,187	279,302	
25 . Unit Cost per RTM	\$3,9090	\$2,6302	\$2,2896	\$2,5025	\$2,5662	\$2,5662	\$2,8334	\$2,9545	
26 . Percentage of Total Mail RTMs	0.8318%	1.2924%	0.6053%	3.2397%	1.1457%	1.1154%	2.2254%	1.8825%	
27 . Unit Cost, Weighted by Mail RTMs Above	\$0.0325	\$0.0391	\$0.0159	\$0.0742	\$0.0287	\$0.0286	\$0.0631	\$0.0556	

System Parameters for Each Carrier									
	Frontier	Grant	Grant	Grant	Grant	Grant	Grant	Hageland	Frontier
1 . Capacity Related Expenses (CR), Skd. F-2	\$1,657,158	\$2,188,603	\$8,869,075	\$6,361,314	\$5,220,739	\$12,596,267	\$12,596,267	\$16,425,580	Midirect Expenses, including fuel, Skd. F-2
2 . Direct Expenses, including fuel, Skd. F-2	110.07%	110.07%	116.78%	116.78%	116.78%	109.46%	109.46%	106.26%	CR Markup
3 . CR Markup	\$4,914,644	\$4,914,644	\$4,257,327	\$3,787,729	\$615,860	\$897,040	\$129,040	\$885,072	Market
4 . CR Markup	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	Aircraft Name
5 . Return and Tax Markup	72,926	72,926	72,926	72,926	72,926	65,527	65,527	65,527	Aircraft Code
6 . T-100 Skd. Mail RTMs, Market	80,345	80,345	80,345	80,345	80,345	50,474	50,474	50,474	Fuel Expenses, Skd. F-2, YE 6/30/03
7 . T-100 Skd. Mail RTMs, Segment	72,926	72,926	72,926	72,926	72,926	71,125	71,125	71,125	T-100 Skd. Mail RTMs, Segment
8 . Circuitry Markup (negative is under 100%)	110.45%	110.45%	112.35%	112.35%	112.35%	108.54%	108.54%	108.54%	Aircraft Name
9 . Aircraft Code	35	35	35	35	35	194	194	194	\$78,775
10 . Fuel Expenses, Skd. F-2, YE 6/30/03	\$55,488	\$55,488	\$474,921	\$408,876	\$408,876	\$596,011	\$465,644	\$527,368	\$674,237
11 . Linehaul +CR+Return and Tax	\$86,227	\$738,020	\$674,120	\$767,716	\$767,716	\$1,104,012	\$862,529	\$158,691	\$897,729
12 . Linehaul +CR+Return and Tax + Circuity	\$93,591	\$93,591	\$801,047	\$757,374	\$757,374	\$1,141,247	\$577,501	\$577,501	\$129,040
13 . Unit costs per block hour	\$71,568	\$71,568	\$71,568	\$71,568	\$71,568	\$527,368	\$85,671	\$350,273	\$114.99
14 . Linehaul +CR	\$674,237	\$674,237	\$615,860	\$701,367	\$701,367	\$129,040	\$527,591	\$885,072	\$325,70
15 . Linehaul +CR+Return and Tax	\$86,227	\$738,020	\$674,120	\$767,716	\$767,716	\$1,104,012	\$862,529	\$158,691	\$114.99
16 . Linehaul +CR+Return and Tax + Circuity	\$93,591	\$93,591	\$801,047	\$757,374	\$757,374	\$1,141,247	\$577,501	\$577,501	\$114.99
17 . Unit Costs per Block Hour	\$88.13	\$88.13	\$174.82	\$60.24	\$60.24	\$1,165.15	\$467.75	\$467.75	\$114.99
18 . System Rev. Blk. Hrs, T-100 Segment	1,062	1,062	4,582	12,572	12,572	\$1,104.012	\$158,691	\$158,691	\$114.99
19 . Eligible Block Hours	1,062	1,062	4,582	12,572	12,572	\$1,141,247	\$577,501	\$577,501	\$114.99
20 . Eligible Linerhaul Expense (on Block Hours)	\$93,591	\$93,591	\$724,998	\$637,430	\$637,430	\$1,038,448	\$67,434	\$67,434	\$114.99
21 . Eligible Pax. RTM	0	0	82,497	196,631	196,631	6,443	12,104	12,104	224,381
22 . Eligible Freight RTM @ 75	77	77	8,296	4,552	4,552	5,178	197	197	10,297
23 . Eligible Mail RTM	38,507	103,432	79,351	99,961	99,961	831	850	850	64,386
24 . Total RTM	38,584	194,224	280,354	190	190	7,374	13,151	13,151	299,064
25 . Unit Cost per RTM	\$2,4256	\$3,7328	\$2,2737	\$2,1743	\$2,1743	\$4,1865	\$5,1277	\$5,1277	\$2,2810
26 . Percentage of Total Mail RTMs	1.5019%	4.0341%	3.0948%	3.897%	0.0324%	0.0332%	1.1187%	2.5112%	\$0.0573
27 . Unit Cost, Weighted by Mail RTMs Above	\$0.0364	\$0.0364	\$0.1506	\$0.0704	\$0.0704	\$0.0848	\$0.0014	\$0.0017	\$0.0335

System Parameters for Each Carrier									
	Hageland	Hageland	Hageland	Hageland	Hageland	Hageland	Hageland	Hageland	Hageland
1 . Capacity Relaxed Expenses, Skd. F-2	\$122,663	\$1338,876	\$107,424	\$407,424	106.26%	106.26%	106.26%	109.46%	109.46%
2 . Direct Expenses, including fuel, Skd. F-2	107.55%	107.55%	107.55%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%
3 . Indirect Expenses, Skd. F-2	107.55%	107.55%	107.55%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%
4 . CR Matkuu	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%
5 . Relium and Tax Markup	107.55%	107.55%	107.55%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%
6 . T-100 SKD. Mail RTMs, Market	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%
7 . T-100 SKD. Mail RTMs, Segment	107.55%	107.55%	107.55%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%
8 . Circuitry Markup (negative is under 100%)	110.45%	110.45%	110.45%	110.45%	110.45%	110.45%	110.45%	104.82%	104.82%
Aircraft Name	C-402	Beech 1900	C-208	Cessna 406	C-206	DHC-2	Beech Baron	Navajo	194
Aircraft Code	125	405	416	417	35	40	117	120	120
Fuel Expense, Skd. F-2, YE 6/30/03	\$61,227	\$453,695	\$1,031,447	\$987,104	\$78,470	\$8,062	\$28,513	\$48,534	\$78,971
Linemhaul +CR+Return and Tax	\$101,452	\$751,757	\$1,709,071	\$1,635,597	\$124,892	\$12,831	\$43,295	\$73,694	\$101,452
Systerm Rev. Blk. Hrs, T-100 Segment	652	2,222	8,974	4,015	1,478	120	305	430	482
Eligible Block Hours	482	269	7,260	2,982	467	56	8	68	20
Eligible Linemhaul Expense (on Block Hours)	\$75,000	\$91,009	\$1,451,206	\$1,214,782	\$39,462	\$5,988	\$1,190	\$12,216	68
Unit Costs per Block Hour	\$179.64	\$179.64	\$179.64	\$179.64	\$179.64	\$179.64	\$179.64	\$179.64	\$179.64
Linehaul +CR+Return and Tax + Circuity	\$101,452	\$751,757	\$1,709,071	\$1,635,597	\$124,892	\$12,831	\$43,295	\$73,694	\$101,452
System Rev. Blk. Hrs, T-100 Segment	652	2,222	8,974	4,015	1,478	120	305	430	482
Eligible Pax RTM	35,574	17,224	412,896	187,198	1,079	114	164	4206	916
Eligible Freight RTM @ 75	689	12581	35,017	14,106	209	40	0	17	37,179
Total RTM	35,397	126,068	63,101	8,217	1113	26	5	4,228	37,179
Unit Cost per RTM	\$2,0173	\$2,5711	\$2,5283	\$4,5944	\$4,1517	\$4,7261	\$6,2632	\$2,8893	\$2,0173
Percentage of Total Mail RTMs	0.0269%	0.4907%	4.9169%	2.4611%	0.3205%	0.0434%	0.0010%	0.0002%	0.0005
Unit Cost, Weighted by Mail RTMs Above	\$0.0005	\$0.0126	\$0.1243	\$0.1131	\$0.0133	\$0.0021	\$0.0001	\$0.0000	27

Increase in ERA's Twin Only Linerhaul Costs, Adjusted to Reflect the 28.98% Percent  
Part 135, Fuel-Only Linerhaul Costs, Adjusted to Reflect the 28.98% Percent  
1 . Capacity Related Expenses (CR), Skd. F-2

System Parameters for Each Cartier	Lainer	Lainer	Lainer	Lainer	Lainer	Lainer	Lainer
1 . Capacity Related Expenses (CR), Skd. F-2	\$233,721	\$457,128	\$308,900	\$308,900	107.55%	123.87%	108.67%
2 . Direct Expenses, including Fuel, Skd. F-2	\$1,857,730	\$1,334,052	\$2,724,937	\$1,48,747	110.06%	109.46%	109.46%
3 . Indirect Expenses, Skd. F-2	\$699,928	\$1,037,880	\$2,724,937	\$1,48,747	109.46%	109.46%	109.46%
4 . CR Markup	107.55%	110.06%	123.87%	108.67%	108.67%	108.67%	108.67%
5 . Return and Tax Markup	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%
6 . T-100 SKD Mail RTMs, Market	115,742	111,516	37,688	37,688	115,742	111,516	115,742
7 . T-100 SKD Mail RTMs, Segment	479	35	79	79	131	133	79
Aircraft Name	Pilatus	C-206	PA-32	Islander	Queenant	C-206	PA-32
Aircraft Code	ATR42	ATR42	ATR42	ATR42	ATR42	ATR42	ATR42
10 . Fuel Expense, Skd. F-2, YE 6/30/03	\$315,295	\$222,544	\$77,165	\$183,152	\$10,648	\$112,382	\$137,060
11 . Linerhaul +CR+Return and Tax	\$478,745	\$345,798	\$134,947	\$320,299	\$18,621	\$172,418	\$210,280
12 . Fuel Expenses, Skd. F-2, Increased by 28.98%	\$501,821	\$378,580	\$149,454	\$320,299	\$20,623	\$172,834	\$236,397
13 . Unit costs per block hour	\$422.76	\$82.01	\$74.06	\$130.80	\$231.72	\$119.72	\$136.10
14 . Linerhaul +CR	\$437,370	\$315,913	\$123,284	\$292,617	\$17,012	\$157,517	\$192,107
15 . Linerhaul +CR+Return and Tax	\$478,745	\$345,798	\$134,947	\$320,299	\$18,621	\$172,418	\$210,280
16 . Linerhaul +CR+Return and Tax + Circuitry	\$501,821	\$378,580	\$149,454	\$320,299	\$20,623	\$172,834	\$236,397
17 . Unit Costs per Block Hour	\$422.76	\$82.01	\$74.06	\$130.80	\$231.72	\$119.72	\$136.10
18 . System Rev. Blk. Hrs., T-100 Segment	1,187	4,616	2,018	2,712	89	2,279	2,288
19 . Effective Block Hours	407	3,433	1,711	2,380	66	1,785	2,165
20 . Effective Linehaul Expense (on Block Hours)	\$172,065	\$281,557	\$126,717	\$311,305	\$15,293	\$213,694	\$314,859
21 . Eligible Pax. RTM	50,040	31,020	19,458	65,771	2,286	12,062	2,919
22 . Eligible Freight RTM @ 75	325	2,156	3,101	7,014	51	71	117
23 . Eligible Mail RTM	186	66,884	3,059	7,692	206	49,250	65,324
24 . Total RTM	50,550	100,059	25,618	80,477	2,543	61,383	68,360
25 . Unit Cost per RTM	\$3,4039	\$2,8139	\$4,9464	\$3,8682	\$6,0138	\$4,6059	\$1,3680
26 . Percentage of Total Mail RTMs	0.0073%	2.6086%	0.1193%	0.0300%	0.0005	1.9208%	2.5478%
27 . Unit Cost, Weighted by Mail RTMs Above	\$0.0002	\$0.0734	\$0.0059	\$0.0116	\$0.0669	\$0.1173	\$0.0587

**Part 135, Fuel-Only Linehaul Costs, Adjusted to Reflect the 28.98 Percent Increase in ERA's Twin Otter Costs per Hour From YE 6/30/03 to QE 6/30/04**

	<u>Peninsula</u>	<u>Peninsula</u>	<u>Peninsula</u>	<u>Peninsula</u>	<u>Servant Air</u>	<u>Servant Air</u>	<u>Skagway</u>	<u>Skagway</u>
1 . Capacity Related Expense (CR), Skd. F-2	\$6,218.676				\$326,093		\$106,371	\$501,893
2 . Direct Expense, including fuel, Skd. F-2	\$25,548.757				\$888,306		\$712,538	\$564,216
3 . Indirect Expense, Skd. F-2	\$18,936,347				\$631,163		\$492,431	\$555,118
4 . CR Markup	116.25%	116.25%	116.25%	116.25%	127.33%	109.68%	181.29%	109.46%
5 . Return and Tax Markup	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%	109.46%
6 . T-100 Skd. Mail RTMs, Market	903,777				110,438		2,996	1,462
7 . T-100 Skd. Mail RTMs, Segment	789,325				123,124		2,829	1,462
8 . Circuitry Markup (negative is under 100%)	87.34%	87.34%	87.34%	87.34%	111.49%	111.49%	94.43%	100.00%
Aircraft Name								
Aircraft Code	PA-32	Navajo	C-208	T-1040	PA-32	Navajo	Carrier	C-206
10 . Fuel Expense, Skd. F-2, YE 6/30/03	79	194	416	478	79	194	Total	35
12 . Fuel Expense, Skd. F-2, Increased by 28.98%	\$374,696	\$186,842	\$438,859	\$74,460	\$239,408	\$22,927	\$145,044	\$95,109
13 . Unit costs per block hour	\$483,283	\$240,989	\$566,040	\$96,039	\$308,788	\$29,571	\$187,078	\$122,672
	\$63.66	\$220.28	\$153.61	\$167.61	\$81.35	\$151.65	\$39.40	\$38.60
Markups per Carrier System Parameters								
14 . Linehaul +CR	\$561,816	\$280,150	\$658,022	\$111,645	\$393,180	\$37,653	\$205,187	\$222,392
15 . Linehaul +CR+Return and Tax	\$614,964	\$306,652	\$720,271	\$122,207	\$430,375	\$41,215	\$224,598	\$243,430
16 . Linehaul +CR+Return and Tax + Circuitry	\$537,110	\$267,830	\$629,085	\$106,736	\$479,825	\$45,951	\$212,088	\$243,430
17 . Unit Costs per Block Hour	\$70.75	\$244.82	\$170.72	\$186.28	\$126.40	\$235.65	\$44.67	\$76.60
18 . System Rev. Blk. Hrs., T-100 Segment	7,592	1,094	3,685	573	3,796	195	4,748	3,178
19 . Eligible Block Hours	6,729	797	3,253	502	3,796	196	3,580	2,749
20 . Eligible Linehaul Expense (on Block Hours)	\$476,055	\$195,119	\$555,336	\$92,510	\$479,825	\$46,187	\$159,915	\$210,569
21 . Eligible Pax RTM	92,847	25,775	142,138	21,226	6,232	2,282	73,230	35,094
22 . Eligible Freight RTM @ .75	6,508	1,769	25,440	1,977	3,363	444	5,330	1,668
23 . Eligible Mail RTM	26,880	9,240	67,609	14,657	114,841	8,283	6,385	3,625
24 . Total RTM	126,235	36,784	235,187	37,860	124,436	11,010	84,946	40,387
25 . Unit Cost per RTM	\$3,7712	\$5,3045	\$2,3613	\$2,4699	\$3,8560	\$4,1950	\$1,8825	\$5,2138
26 . Percentage of Total Mail RTMs	1,0484%	0.3604%	2,6369%	0.5717%	4,4790%	0.3231%	0.2490%	0.1414%
27 . Unit Cost, Weighted by Mail RTMs Above	\$0.0395	\$0.0191	\$0.0623	\$0.0141	\$0.1727	\$0.0136	\$0.0047	\$0.0074

**Part 135, Fuel-Only Linehaul Costs, Adjusted to Reflect the 28.98 Percent Increase in ERA's Twin Otter Costs per Hour From YE 6/30/03 to QE 6/30/04**

System Parameters for Each Carrier		Warbelow	
1 . Capacity Related Expense (CR), Skd. F-2	\$258,641	Tanana	Warbelow
2 . Direct Expense, including fuel, Skd. F-2	\$637,264		\$593,625
3 . Indirect Expense, Skd. F-2	\$2,484,426		\$4,922,068
4 . CR Markup	\$834,782		\$1,604,570
5 . Return and Tax Markup	\$430,249		\$110,01%
6 . T-100 Skd. Mail RTMs, Market	\$1,217,714		110.46%
7 . T-100 Skd. Mail RTMs, Segment	120.70%	113.43%	109.46%
8 . Circuitry Markup (negative is under 100%)	109.46%	109.46%	109.46%
Aircraft Name	Tatonduk	Tatonduk	Warbelow
Aircraft Code	Spermak	Tanana	
10 . Fuel Expense, Skd. F-2, YE 6/30/03	\$2,484,426		\$1,604,570
12 . Fuel Expense, Skd. F-2, Increased by 28.98%	\$834,782		\$110,01%
13 . Unit costs per block hour	\$430,249		110.46%
Markups per Carrier System Parameters			
14 . Linehaul +CR	\$185,131	PA-32	Navajo
15 . Linehaul +CR+Return and Tax	\$202,644	Commanche	C-206
16 . Linehaul +CR+Return and Tax + Circuitry	\$202,644	PA-32	Navajo
17 . Unit Costs per Block Hour	\$54.42	Navajo	C-206
18 . System Rev. Blk. Hrs, T-100 Segment	\$705,701	Navajo	Navajo
19 . Eligible Block Hours	\$772,460	PA-32	PA-32
20 . Eligible Linehaul Expense (on Block Hours)	\$823,288	PA-32	PA-32
21 . Eligible Pax. RTM	\$152,003	PA-32	PA-32
22 . Eligible Freight RTM @ .75	\$162,005	PA-32	PA-32
23 . Eligible Mail RTM	\$173.45	PA-32	PA-32
24 . Total RTM	\$170,543	PA-32	PA-32
25 . Unit Cost per RTM	\$186,676	PA-32	PA-32
26 . Percentage of Total Mail RTMs	\$186,676	PA-32	PA-32
27 . Unit Cost, Weighted by Mail RTMs Above	\$186,676	PA-32	PA-32

**Part 135, Fuel-Only Linehaul Costs, Adjusted to Reflect the 28.98 Percent Increase in ERA's Twin Otter Costs per Hour From YE 6/30/03 to QE 6/30/04**

**Part 135, Fuel-Only Linehaul Costs, Adjusted to Reflect the 28.98 Percent Increase in ERA's Twin Otter Costs per Hour From YE 6/30/03 to QE 6/30/04**

**Appendix A-2**  
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<u>System Parameters for Each Carrier</u>	<u>Y<sub>ute</sub></u>	<u>Y<sub>ute</sub></u>
1 . Capacity Related Expense (CR), Skd. F-2		
2 . Direct Expense, including fuel, Skd. F-2		
3 . Indirect Expense, Skd. F-2		
4 . CR Markup	128.10%	128.10%
5 . Return and Tax Markup	109.46%	109.46%
6 . T-100 Skd. Mail RTMs, Market		
7 . T-100 Skd. Mail RTMs, Segment		
8 . Circuitry Markup (negative is under 100%)	109.46%	109.46%
Aircraft Name		
Aircraft Code		
10 . Fuel Expense, Skd. F-2, YE 6/30/03	\$86,938	\$183,784
12 . Fuel Expense, Skd. F-2, Increased by 28.98%	\$112,133	\$237,045
13 . Unit costs per block hour	\$292.01	\$347.06
Markups per Carrier System Parameters		
14 . Linehaul +CR	\$143,642	\$303,655
15 . Linehaul +CR+Return and Tax	\$157,231	\$332,381
16 . Linehaul +CR+Return and Tax + Circuitry	\$172,105	\$363,824
17 . Unit Costs per Block Hour	\$448.19	\$532.69
18 . System Rev. Blk. Hrs., T-100 Segment	384	683
19 . <u>Eligible Block Hours</u>	<u>299</u>	<u>261</u>
20 . Eligible Linehaul Expense (on Block Hours)	\$134,009	\$139,031
21 . Eligible Pax RTM	8,981	3,819
22 . Eligible Freight RTM @ .75	'72	2,573
23 . Eligible Mail RTM	11,592	12,746
24 . Total RTM	20,645	19,138
25 . Unit Cost per RTM	\$6,4911	\$7,2647
26 . Percentage of Total Mail RTMs	0.4521%	0.4971%
27 . Unit Cost, Weighted by Mail RTMs Above	\$0.0293	\$0.0361

Amphibious, Non-Fuel Linehaul Costs, Per Order 2004-3-34, YE 6/30/03

Appendix B-1

Appendix B-2

**Amphibious, Fuel-Only Linehaul Costs, Adjusted to Reflect the 28.98 Percent Increase in ERA's Twin Otter Costs per Hour From YE 6/30/03 to QE 6/30/04**